

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Leelanau County	County	LEELANAU	Type	COUNTY	MuniCode	45-0-000
Opinion Date	June 27, 2008	Audit Submitted	June 30, 2008	Fiscal Year	December 31, 2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="13115832"/>
General Fund Expenditure:	<input type="text" value="8465745"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="6097385"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="12898451"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations). Findings to be submitted with the Single Audit Report.

CPA (First Name)	Stephen	Last Name	Peacock	Ten Digit License Number	1101021255				
CPA Street Address	107 South Cass, Suite A	City	Traverse City	State	MI	Zip Code	49684	Telephone	(231) 946-3230
CPA Firm Name	Rehmann Robson	Unit's Street Address	8527 E. Government C	City	Suttons Bay	Zip Code	49682		

Leelanau County, Michigan

Financial Statements

**For the Fiscal Year Ended
December 31, 2007**



REHMANN ROBSON

Certified Public Accountants

Leelanau County, Michigan

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Leelanau County, Michigan

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

June 27, 2008

Board of Commissioners
Leelanau County
Suttons Bay, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan** (the "County") as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan**, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008, on our consideration of **Leelanau County, Michigan's** internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Leelanau County, Michigan

Statement of Net Assets

December 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Road Commission	Brownfield Redevelopment Authority
Assets					
Cash and cash equivalents	\$ 15,759,307	\$ 2,981,042	\$ 18,740,349	\$ 692,207	\$ 3,519
Investments	2,376,121	521,634	2,897,755	-	-
Receivables, net	3,831,017	2,192,135	6,023,152	888,745	-
Due from other governments	2,085,671	-	2,085,671	561,010	-
Prepaid items and other assets	170,009	-	170,009	39,325	-
Lease receivable - local units of government	425,000	-	425,000	-	-
Inventory	-	-	-	595,082	-
Assets held for sale	916,220	-	916,220	-	-
Land	1,005,536	-	1,005,536	37,276	-
Construction in progress	10,390,665	-	10,390,665	-	-
Depreciable capital assets, net	12,132,816	175,032	12,307,848	23,798,026	-
Total assets	49,092,362	5,869,843	54,962,205	26,611,671	3,519
Liabilities					
Accounts payable	2,435,077	12,191	2,447,268	100,442	-
Accrued liabilities	196,824	7,240	204,064	385,428	-
Unearned revenue	1,829,563	32	1,829,595	997,404	-
Notes payable	354,284	-	354,284	-	-
Long-term liabilities:					
Due within one year	549,372	33,166	582,538	-	-
Due in more than one year	12,349,079	-	12,349,079	178,151	-
Total liabilities	17,714,199	52,629	17,766,828	1,661,425	-
Net assets					
Invested in capital assets, net of related debt	10,829,938	175,032	11,004,970	23,835,302	-
Restricted for:					
Debt service	635,281	-	635,281	-	-
Capital projects	4,208,426	-	4,208,426	-	-
Other purposes	9,338,653	-	9,338,653	-	-
Unrestricted	6,365,865	5,642,182	12,008,047	1,114,944	3,519
Total net assets	\$ 31,378,163	\$ 5,817,214	\$ 37,195,377	\$ 24,950,246	\$ 3,519

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 349,775	\$ -	\$ -	\$ -	\$ (349,775)
Judicial	1,197,427	272,564	253,316	-	(671,547)
General government	8,223,496	706,048	246,571	-	(7,270,877)
Public safety	5,306,759	796,848	352,678	-	(4,157,233)
Public works	355,037	47,706	-	-	(307,331)
Health and welfare	1,557,411	51,507	525,235	-	(980,669)
Recreation and cultural	58,458	211	-	-	(58,247)
Interest on long-term debt	361,103	-	-	-	(361,103)
Total governmental activities	17,409,466	1,874,884	1,377,800	-	(14,156,782)
Business-type activities:					
Building inspections	637,327	647,097	-	-	9,770
Maple Valley property	13,574	38,989	-	-	25,415
Delinquent tax collection	52,134	517,964	-	-	465,830
Total business-type activities	703,035	1,204,050	-	-	501,015
Total primary government	<u>\$ 18,112,501</u>	<u>\$ 3,078,934</u>	<u>\$ 1,377,800</u>	<u>\$ -</u>	<u>\$ (13,655,767)</u>
Component units					
Brownfield Redevelopment Authority	\$ 3,987	\$ -	\$ 7,500	\$ -	\$ 3,513
Road Commission	4,516,405	845,682	2,951,697	1,776,898	1,057,872
Total component units	<u>\$ 4,520,392</u>	<u>\$ 845,682</u>	<u>\$ 2,959,197</u>	<u>\$ 1,776,898</u>	<u>\$ 1,061,385</u>

Continued...

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2007

Functions/Programs	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Road Commission	Brownfield Redevelopment Authority
Changes in net assets					
Net (expense) revenue	\$ (14,156,782)	\$ 501,015	\$ (13,655,767)	\$ 1,057,872	\$ 3,513
General revenues:					
Property taxes	11,742,823	-	11,742,823	945,883	-
Grants and contributions not restricted to specific programs	213,105	-	213,105	-	-
Unrestricted investment earnings	950,114	189,503	1,139,617	131,442	6
Gain on sale of capital assets	-	-	-	43,200	-
Internal transfers	4,007,633	(4,007,633)	-	-	-
Total general revenues and transfers	16,913,675	(3,818,130)	13,095,545	1,120,525	6
Change in net assets	2,756,893	(3,317,115)	(560,222)	2,178,397	3,519
Net assets, beginning of year	28,621,270	9,134,329	37,755,599	22,771,849	-
Net assets, end of year	<u>\$ 31,378,163</u>	<u>\$ 5,817,214</u>	<u>\$ 37,195,377</u>	<u>\$ 24,950,246</u>	<u>\$ 3,519</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Balance Sheet Governmental Funds

December 31, 2007

	General	CDBG Repayment	Revenue Sharing Reserve	Leland Sewer Debt Retirement
Assets				
Cash and cash equivalents	\$ 3,745,237	\$ 19,109	\$ 5,290,630	\$ 5
Investments	1,828,204	-	-	-
Receivables:				
Accounts	96,330	-	-	-
Loans	-	750,795	-	-
Taxes	1,777,720	-	403,958	-
Special assessments	-	-	-	-
Leases	-	-	-	425,000
Interest	7,388	-	-	-
Due from other governments	120,630	-	-	-
Due from other funds	-	-	-	-
Prepaid items and other assets	135,535	-	-	-
Assets held for resale	-	-	-	-
Total assets	<u>\$ 7,711,044</u>	<u>\$ 769,904</u>	<u>\$ 5,694,588</u>	<u>\$ 425,005</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 50,676	\$ -	\$ -	\$ -
Accrued liabilities	87,364	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,475,619	750,795	-	425,000
Notes payable	-	-	-	-
Total liabilities	<u>1,613,659</u>	<u>750,795</u>	<u>-</u>	<u>425,000</u>
Fund balances				
Reserved:				
Prepays and advances	135,535	-	-	-
Assets held for resale	-	-	-	-
Unreserved:				
Undesignated	5,961,850	19,109	5,694,588	5
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>6,097,385</u>	<u>19,109</u>	<u>5,694,588</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 7,711,044</u>	<u>\$ 769,904</u>	<u>\$ 5,694,588</u>	<u>\$ 425,005</u>

The accompanying notes are an integral part of these financial statements.

Building	Courthouse Construction	Northport Village Sewer Construction	Special Assessments	Other Governmental Funds	Total
\$ 36,264	\$ 1,656,134	\$ -	\$ 124,252	\$ 3,704,823	\$ 14,576,454
547,917	-	-	-	-	2,376,121
-	-	-	-	69,667	165,997
-	-	-	-	-	750,795
-	-	-	-	692,350	2,874,028
-	-	-	32,588	-	32,588
-	-	-	-	-	425,000
221	-	-	-	-	7,609
-	-	1,816,618	-	91,333	2,028,581
-	-	-	-	3,179	3,179
-	-	-	-	50	135,585
-	-	-	-	384,947	384,947
<u>\$ 584,402</u>	<u>\$ 1,656,134</u>	<u>\$ 1,816,618</u>	<u>\$ 156,840</u>	<u>\$ 4,946,349</u>	<u>\$ 23,760,884</u>

\$ -	\$ 312,448	\$ 1,816,618	\$ 35,363	\$ 46,300	\$ 2,261,405
-	-	-	-	24,021	111,385
-	-	-	-	3,179	3,179
-	-	-	23,250	854,144	3,528,808
-	-	-	-	354,284	354,284
<u>-</u>	<u>312,448</u>	<u>1,816,618</u>	<u>58,613</u>	<u>1,281,928</u>	<u>6,259,061</u>
-	-	-	-	50	135,585
-	-	-	-	384,947	384,947
584,402	1,343,686	-	98,227	-	13,701,867
-	-	-	-	3,125,361	3,125,361
-	-	-	-	51,313	51,313
-	-	-	-	102,750	102,750
<u>584,402</u>	<u>1,343,686</u>	<u>-</u>	<u>98,227</u>	<u>3,664,421</u>	<u>17,501,823</u>
<u>\$ 584,402</u>	<u>\$ 1,656,134</u>	<u>\$ 1,816,618</u>	<u>\$ 156,840</u>	<u>\$ 4,946,349</u>	<u>\$ 23,760,884</u>

Leelanau County, Michigan

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

December 31, 2007

Fund balances - total governmental funds	\$ 17,501,823
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Add: capital assets - net of accumulated depreciation	23,218,656
Assets held for sale in governmental activities are not current financial resources, and therefore are not reported in the funds.	
Add: assets held for sale	531,273
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred revenues related to delinquent personal property taxes	35,912
Add: deferred revenues related to summer property tax levy	466,785
Add: deferred revenues related to special assessments	23,250
Add: deferred revenues related to loans receivable	750,795
Add: deferred revenues related to DPW leases receivable	425,000
Add: due from local units for accrued interest on sewer debt issues	57,090
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in internal service funds	1,346,469
Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable	(12,699,079)
Subtract: compensated absences	(199,372)
Subtract: accrued interest on long-term liabilities	(80,439)
Net assets of governmental activities	\$ 31,378,163

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2007

	General	CDBG Repayment	Revenue Sharing Reserve	Leland Sewer Debt Retirement
Revenues				
Property taxes	\$ 10,616,555	\$ -	\$ -	\$ -
Special assessment revenue	-	-	-	-
Licenses and permits	12,318	-	-	-
Intergovernmental revenue:				
Federal	132,695	-	-	-
State	612,727	-	-	-
Local	1,103	-	-	223,469
Charges for services	741,899	-	-	-
Refunds and reimbursements	229,793	-	-	-
Fines and forfeitures	1,700	-	-	-
Interest	567,994	-	229,305	-
Other revenue	199,048	46,018	-	-
Total revenues	<u>13,115,832</u>	<u>46,018</u>	<u>229,305</u>	<u>223,469</u>
Expenditures				
Current expenditures:				
Legislative	350,012	-	-	-
Judicial	1,139,614	-	-	-
General government	2,129,912	-	-	-
Public safety	4,008,216	-	-	-
Public works	-	-	-	-
Health and welfare	492,986	11,033	-	-
Recreation and cultural	52,939	-	-	-
Other expenditures	292,066	-	-	-
Debt service:				
Principal	-	-	-	200,000
Interest and fiscal charges	-	-	-	23,469
Capital outlay	-	-	-	-
Total expenditures	<u>8,465,745</u>	<u>11,033</u>	<u>-</u>	<u>223,469</u>
Revenues over (under) expenditures	<u>4,650,087</u>	<u>34,985</u>	<u>229,305</u>	<u>-</u>
Other financing sources (uses)				
Proceeds from sales of assets	-	-	-	-
Issuance of long-term debt	-	-	-	-
Transfers in	602,498	-	-	-
Transfers out	(2,382,279)	(26,000)	(371,563)	-
Total other financing sources (uses)	<u>(1,779,781)</u>	<u>(26,000)</u>	<u>(371,563)</u>	<u>-</u>
Net change in fund balances	2,870,306	8,985	(142,258)	-
Fund balances (deficit), beginning of year	<u>3,227,079</u>	<u>10,124</u>	<u>5,836,846</u>	<u>5</u>
Fund balances, end of year	<u>\$ 6,097,385</u>	<u>\$ 19,109</u>	<u>\$ 5,694,588</u>	<u>\$ 5</u>

The accompanying notes are an integral part of these financial statements.

Building	Courthouse Construction	Northport Village Sewer Construction	Special Assessments	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ -	\$ 582,377	\$ 11,198,932
-	-	-	107,571	-	107,571
-	-	-	-	-	12,318
-	-	-	-	189,400	322,095
-	-	-	-	378,126	990,853
-	-	-	-	123,900	348,472
-	-	-	-	876,472	1,618,371
-	-	-	-	173,423	403,216
-	-	-	-	-	1,700
129,510	-	-	5	176	926,990
-	-	-	-	50,522	295,588
129,510	-	-	107,576	2,374,396	16,226,106
-	-	-	-	-	350,012
-	-	-	-	56,009	1,195,623
-	-	-	-	15,470	2,145,382
-	-	-	-	990,967	4,999,183
-	-	-	5,096	222,415	227,511
-	-	-	-	1,269,468	1,773,487
-	-	-	-	-	52,939
-	-	-	-	-	292,066
-	-	-	-	150,000	350,000
-	-	-	-	282,687	306,156
137,500	6,793,207	5,824,079	-	-	12,754,786
137,500	6,793,207	5,824,079	5,096	2,987,016	24,447,145
(7,990)	(6,793,207)	(5,824,079)	102,480	(612,620)	(8,221,039)
-	-	-	-	105,362	105,362
-	-	5,824,079	-	-	5,824,079
-	7,750,000	-	-	1,783,817	10,136,315
(3,000,000)	-	-	-	(463,609)	(6,243,451)
(3,000,000)	7,750,000	5,824,079	-	1,425,570	9,822,305
(3,007,990)	956,793	-	102,480	812,950	1,601,266
3,592,392	386,893	-	(4,253)	2,851,471	15,900,557
\$ 584,402	\$ 1,343,686	\$ -	\$ 98,227	\$ 3,664,421	\$ 17,501,823

Leelanau County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2007

Net change in fund balances - total governmental funds	\$ 1,601,266
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Similarly, governmental funds do not report non-cash donations of capital assets. However, in the statement of activities, such donations are recognized as capital grants and contributions and the estimated fair value of those assets are capitalized and depreciated over their estimated useful lives.

Add: expenditures capitalized during the year	7,026,960
Subtract: depreciation expense	(531,687)

Governmental funds report outlays for land purchases and construction costs for assets held for sale related to grant programs as expenditures. In addition, the gross proceeds from the sales of the assets are recorded as other financing sources. However, in the statement of activities, only the net loss at the time of the sale of assets is recorded.

Add: expenditures for assets held for sale during the year	215,803
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Subtract: change in deferred loans receivable	(25,997)
Subtract: change in deferred leases receivable	(200,000)
Add: change in deferred delinquent personal property tax receivables	4,800
Add: change in deferred property tax receivables related to the summer levy	203,015
Subtract: change in deferred special assessments receivable	(107,571)
Add: change in amount due from local units for accrued interest on DPW debt	52,533

The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term debt	350,000
Subtract: proceed from issuance of long-term debt	(5,824,079)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: change in accrued interest on bonds payable	(52,158)
Subtract: change in accrued compensated absences	(10,287)

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

Subtract: net operating income from governmental activities accounted for in internal service funds	(79,436)
Add: gain on disposal of capital assets in governmental internal service funds	15,654
Add: net transfers (internal activities) from governmental internal service funds	114,769
Add: interest revenue from governmental internal service funds	3,308

Change in net assets of governmental activities	\$ 2,756,893
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The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 9,359,818	\$ 9,349,140	\$ 10,616,555	\$ 1,267,415
Licenses and permits	16,000	13,473	12,318	(1,155)
Intergovernmental revenue:				
Federal	84,023	115,958	132,695	16,737
State	620,317	652,388	612,727	(39,661)
Local	875	1,039	1,103	64
Charges for services	756,500	751,340	741,899	(9,441)
Refunds and reimbursements	162,950	231,382	229,793	(1,589)
Fines and forfeits	1,000	1,700	1,700	-
Interest	150,000	550,381	567,994	17,613
Other revenue	150,497	176,926	199,048	22,122
Total revenues	11,301,980	11,843,727	13,115,832	1,272,105
Expenditures				
Legislative				
Board of Commissioners	363,585	363,585	350,012	(13,573)
Judicial				
Circuit court	265,987	265,987	185,679	(80,308)
Circuit court - Family	331,795	331,795	313,482	(18,313)
District court	344,378	344,378	292,725	(51,653)
Jury fees	14,159	14,159	10,699	(3,460)
Probate court	331,182	337,067	337,029	(38)
Total judicial	1,287,501	1,293,386	1,139,614	(153,772)
General government				
Accounting	136,641	151,641	134,822	(16,819)
Elections	59,430	59,430	32,778	(26,652)
County clerk	336,331	336,331	292,831	(43,500)
Equalization	314,839	314,839	283,172	(31,667)
Attorney/legal fees	35,000	35,100	35,075	(25)
Remonumentation	44,198	69,736	69,736	-
Prosecuting Attorney	384,600	384,600	361,274	(23,326)
Prosecuting Attorney - social services	64,831	64,831	57,263	(7,568)
Victim services	62,655	62,655	56,362	(6,293)
Register of deeds	276,678	276,678	247,517	(29,161)
Treasurer	260,592	260,592	246,384	(14,208)
Cooperative extension	168,734	168,734	149,897	(18,837)
Drain commission	20,452	20,452	20,139	(313)
Soil conservation	48,900	48,900	48,900	-
County audit	40,000	95,000	93,762	(1,238)
Total general government	2,253,881	2,349,519	2,129,912	(219,607)

Continued...

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Sheriff	\$ 1,617,150	\$ 1,713,539	\$ 1,711,732	\$ (1,807)
Community work	38,902	38,902	29,596	(9,306)
Emergency medical service	3,500	3,500	3,242	(258)
Marine	76,202	76,202	51,408	(24,794)
Sheriff secondary road patrol	93,564	93,564	72,857	(20,707)
Jail	1,748,194	1,748,194	1,570,060	(178,134)
Planning department	240,454	240,454	205,443	(35,011)
COPS Fast	5,000	16,150	12,312	(3,838)
Township/Village police services	169,945	169,945	144,537	(25,408)
Anti-Drug	85,970	85,970	82,020	(3,950)
Plat Board - Board of Appeals	498	498	126	(372)
Emergency service	73,815	73,815	57,045	(16,770)
Animal control	78,838	78,838	67,838	(11,000)
Total public safety	<u>4,232,032</u>	<u>4,339,571</u>	<u>4,008,216</u>	<u>(331,355)</u>
Health and welfare				
Benzie/Leelanau Health Department	232,391	239,391	238,717	(674)
Substance abuse	58,500	60,385	59,885	(500)
Medical examiner	22,725	22,725	12,320	(10,405)
Mental Health Board	139,700	139,700	139,700	-
Veteran's affairs	36,569	36,629	36,314	(315)
Veteran's burial	12,000	12,000	6,050	(5,950)
Total health and welfare	<u>501,885</u>	<u>510,830</u>	<u>492,986</u>	<u>(17,844)</u>
Recreation & cultural				
Parks & recreation	<u>100,331</u>	<u>103,331</u>	<u>52,939</u>	<u>(50,392)</u>
Other expenditures				
Insurance & bonds	298,000	305,000	271,612	(33,388)
Contribution to other agency	15,000	15,000	15,000	-
Other	<u>5,454</u>	<u>5,454</u>	<u>5,454</u>	<u>-</u>
Total other expenditures	<u>318,454</u>	<u>325,454</u>	<u>292,066</u>	<u>(33,388)</u>
Total expenditures	<u>9,057,669</u>	<u>9,285,676</u>	<u>8,465,745</u>	<u>(819,931)</u>
Revenues over expenditures	<u>2,244,311</u>	<u>2,558,051</u>	<u>4,650,087</u>	<u>2,092,036</u>

Continued...

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2007

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Other financing sources (uses)				
Transfers in	\$ 797,855	\$ 600,363	\$ 602,498	\$ 2,135
Transfers out	(3,041,566)	(3,157,814)	(2,382,279)	(775,535)
Total other financing (uses)	(2,243,711)	(2,557,451)	(1,779,781)	777,670
Net change in fund balance	600	600	2,870,306	2,869,706
Fund balance, beginning of year	3,227,079	3,227,079	3,227,079	-
Fund balance, end of year	<u>\$ 3,227,679</u>	<u>\$ 3,227,679</u>	<u>\$ 6,097,385</u>	<u>\$ 2,869,706</u>
Concluded				

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

CDBG Repayment Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Other revenues	\$ 95,000	\$ 95,000	\$ 46,018	\$ (48,982)
Expenditures				
Health and welfare	72,000	64,000	11,033	(52,967)
Revenues over under expenditures	23,000	31,000	34,985	3,985
Other financing uses				
Transfers out	(18,000)	(26,000)	(26,000)	-
Net change in fund balance	5,000	5,000	8,985	3,985
Fund balance, beginning of year	10,124	10,124	10,124	-
Fund balance, end of year	<u>\$ 15,124</u>	<u>\$ 15,124</u>	<u>\$ 19,109</u>	<u>\$ 3,985</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Revenue Sharing Reserve Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Interest	\$ 40,000	\$ 220,000	\$ 229,305	\$ 9,305
Other financing uses				
Transfers out	(369,055)	(371,563)	(371,563)	-
Net change in fund balance	(329,055)	(151,563)	(142,258)	9,305
Fund balance, beginning of year	5,836,846	5,836,846	5,836,846	-
Fund balance, end of year	<u>\$ 5,507,791</u>	<u>\$ 5,685,283</u>	<u>\$ 5,694,588</u>	<u>\$ 9,305</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Net Assets Proprietary Funds

December 31, 2007

	Enterprise Funds			Governmental
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	Activities - Internal Service Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 2,303,705	\$ 677,337	\$ 2,981,042	\$ 1,182,853
Investments	521,634	-	521,634	-
Receivables:				
Accounts receivable	-	1,877	1,877	\$ -
Delinquent taxes receivable	1,950,410	32	1,950,442	-
Interest	239,816	-	239,816	-
Prepaid items	-	-	-	34,424
Total current assets	5,015,565	679,246	5,694,811	1,217,277
Noncurrent assets				
Capital assets, net	-	175,032	175,032	310,361
Total assets	5,015,565	854,278	5,869,843	1,527,638
Liabilities				
Current liabilities				
Accounts payable	-	12,191	12,191	173,672
Accrued liabilities	-	7,240	7,240	5,000
Unearned revenue	-	32	32	2,497
Total current liabilities	-	19,463	19,463	181,169
Noncurrent liabilities				
Compensated absences	-	33,166	33,166	-
Total liabilities	-	52,629	52,629	181,169
Net assets				
Invested in capital assets	-	175,032	175,032	310,361
Unrestricted	5,015,565	626,617	5,642,182	1,036,108
Total net assets	\$ 5,015,565	\$ 801,649	\$ 5,817,214	\$ 1,346,469

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended December 31, 2007

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ 113,750	\$ 692,652	\$ 806,402	\$ 1,070,155
Interest on delinquent taxes	358,659	-	358,659	-
Other revenue	-	38,989	38,989	-
Total operating revenues	<u>472,409</u>	<u>731,641</u>	<u>1,204,050</u>	<u>1,070,155</u>
Operating expenses				
Salaries and fringes	-	490,792	490,792	240,669
Depreciation	-	13,573	13,573	80,522
Other expenses	5,936	192,734	198,670	828,400
Total operating expenses	<u>5,936</u>	<u>697,099</u>	<u>703,035</u>	<u>1,149,591</u>
Operating income (loss)	<u>466,473</u>	<u>34,542</u>	<u>501,015</u>	<u>(79,436)</u>
Nonoperating revenue				
Gain on disposal of capital assets	-	-	-	15,654
Interest revenue	189,503	-	189,503	3,308
Total nonoperating revenue	<u>189,503</u>	<u>-</u>	<u>189,503</u>	<u>18,962</u>
Income (loss) before transfers	<u>655,976</u>	<u>34,542</u>	<u>690,518</u>	<u>(60,474)</u>
Transfers				
Transfers in	-	-	-	114,769
Transfers out	(4,007,633)	-	(4,007,633)	-
Total transfers	<u>(4,007,633)</u>	<u>-</u>	<u>(4,007,633)</u>	<u>114,769</u>
Change in net assets	<u>(3,351,657)</u>	<u>34,542</u>	<u>(3,317,115)</u>	<u>54,295</u>
Net assets, beginning of year	<u>8,367,222</u>	<u>767,107</u>	<u>9,134,329</u>	<u>1,292,174</u>
Net assets, end of year	<u>\$ 5,015,565</u>	<u>\$ 801,649</u>	<u>\$ 5,817,214</u>	<u>\$ 1,346,469</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2007

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from interfund services	\$ -	\$ -	\$ -	\$ 1,078,655
Cash received from customers	2,262,686	729,764	2,992,450	410
Cash payments for delinquent taxes	(2,769,908)	-	(2,769,908)	-
Cash payments to suppliers for goods and services	(5,936)	(187,190)	(193,126)	(661,461)
Cash payments to employees for services	-	(480,798)	(480,798)	(238,948)
Net cash provided by (used in) operating activities	(513,158)	61,776	(451,382)	178,656
Cash flows from non-capital financing activities				
Transfers in	-	-	-	114,769
Transfers out	(4,007,633)	-	(4,007,633)	-
Net cash provided by (used in) non-capital financing activities	(4,007,633)	-	(4,007,633)	114,769
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	-	(151,204)
Proceeds from sale of capital assets	-	-	-	15,655
Net cash used in capital and related financing activities	-	-	-	(135,549)
Cash flows from investing activities				
Interest received	189,503	-	189,503	3,308
Purchase of investments	4,134,804	-	4,134,804	-
Net cash provided by investing activities	4,324,307	-	4,324,307	3,308
Net increase (decrease) in cash and cash equivalents	(196,484)	61,776	(134,708)	161,184
Cash and cash equivalents, beginning of year	2,500,189	615,561	3,115,750	1,021,669
Cash and cash equivalents, end of year	\$ 2,303,705	\$ 677,337	\$ 2,981,042	\$ 1,182,853

Continued...

Leelanau County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2007

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 466,473	\$ 34,542	\$ 501,015	\$ (79,436)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	-	13,573	13,573	80,522
Changes in assets and liabilities which provided (used) cash				
Taxes receivable	(863,042)	(1,877)	(864,919)	-
Interest receivable	(116,589)	-	(116,589)	-
Prepaid items	-	823	823	65,013
Due from other governments	-	-	-	8,500
Accounts payable	-	4,721	4,721	101,926
Accrued liabilities	-	9,994	9,994	1,721
Unearned revenue	-	-	-	410
Net cash provided by (used in) operating activities	\$ (513,158)	\$ 61,776	\$ (451,382)	\$ 178,656

Concluded

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u><u>\$ 383,289</u></u>
Liabilities	
Due to other governments	\$ 95,253
Undistributed collections	106,931
Other current liabilities	<u>181,105</u>
Total liabilities	<u><u>\$ 383,289</u></u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

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Notes to the Financial Statements

December 31, 2007

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Leelanau County, Michigan

Notes To The Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Leelanau County, Michigan (the “County”) was organized in 1863 and covers an area of approximately 334 square miles with the county seat located in Leland, Michigan. The County operates under an elected Board of Commissioners of seven members and provides services, assistance and care to its more than 21,000 residents, primarily from the operations of its general and special revenue funds. The County’s services, assistance and care include the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; (5) libraries; and (6) recreation.

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component unit. The component unit discussed below is included in the County’s reporting entity because of the significance of its operational and financial relationship with the County.

Discretely Presented Component Units – The amounts reported as “component units” in the basic financial statements include the financial data of the County’s discretely presented component units, the Leelanau County Road Commission and the Brownfield Redevelopment Authority. The County has the ability to influence the operations of both of these entities for fiscal matters. Separate financial statements for the Road Commission are available from the Leelanau County Road Commission, 10550 E. Eckerle Road, Suttons Bay, MI 49682.

Regional Joint Operations

The County participates jointly in the operations of the Benzie-Leelanau District Health Department. The financial operations of the Benzie-Leelanau District Health Department are recorded as a component unit of Benzie County. The County’s appropriation to the Benzie-Leelanau District Health Department for the year ended December 31, 2007 was \$202,391.

The County participates in the operation of the Northwest Michigan Regional Airport Commission with Grand Traverse County. The Airport Commission operates with a separate treasurer. Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

The County participates jointly in the operations of the Grand Traverse County 86th District Court and 13th Circuit Court, including the Friend of the Court. The financial operations of the courts are reported in the financial statements of Grand Traverse County. Leelanau County provides financial support of the Friend of the Court through an appropriation, which amounted to \$60,000 for the year ended December 31, 2007.

Leelanau County, Michigan

Notes To The Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDBG Repayment Fund* accounts for repayments of CDBG loans and the use of those funds to rehabilitate homes whose owners meet income eligibility guidelines.

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism that substitutes for state revenue sharing payments, which is the gradual acceleration of the County property tax levy.

The *Leland Sewer Debt Retirement Fund* accounts for the debt payments made to retire the Leland Township sewer bond issue and the related receivable due from the Township.

The *Building Fund* accounts for the accumulation, and future expenditure, of funds to construct a new county services building.

The *Courthouse Construction Fund* accounts for the accumulation, and future expenditure, of funds to construct a new county courthouse.

The *Northport Village Sewer Construction Fund* accounts for the accumulation, and future expenditure, of funds to construct a sewer project in Northport Village.

Leelanau County, Michigan

Notes To The Financial Statements

The *Special Assessments Fund* is used to account for special assessments received to fund major improvements to the County-owned dam.

The government reports the following major proprietary fund:

The *Unpledged DTR (Delinquent Tax Revolving) Fund* accounts for the County's administration and collection of delinquent real property taxes for all taxing units in Leelanau County.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for fleet and equipment management, building and grounds, data processing, copy machine, mailing department, and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

The *agency funds* account for assets held for other governments in an agency capacity, specifically in the trust and agency fund, library penal fine fund, district court and circuit court agency funds and the inmate trust fund.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Leelanau County, Michigan

Notes To The Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to residents and businesses for building permits and inspection fees, and fees charged on the collection of delinquent property taxes. Operating expenses for enterprise funds include personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Leelanau County, Michigan

Notes To The Financial Statements

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Investments are reported at fair value.

2. *Receivables and payables*

All receivables are reported at their gross value.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans.) All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental and business-type activities, if any, are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Leelanau County, Michigan

Notes To The Financial Statements

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-30
Radio towers	40
Vehicles	2-5
Equipment	3-10
Infrastructure – roads	8-30
Infrastructure – bridges	12-50
Infrastructure – dam	30

5. *Assets held for sale*

Assets held for sale consist of homes held for sale funded by the Home grant.

6. *Compensated absences*

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Upon termination an employee may be paid for unused vacation up to a maximum of 240 hours.

All vacation and personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Leelanau County, Michigan

Notes To The Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end. During the November board meeting of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the activity level, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

B. Expenditures in excess of appropriations

P.A. 621 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity basis. The approved budgets of the County for the budgetary funds were adopted at the activity level for the general fund and at the functional level for the special revenue funds.

The following funds had expenditures in excess of appropriations:

		Final Budget	Actual	Variance with Final Budget
Community Corrections	Public safety	\$ 1,500	\$ 4,542	\$ 3,042
EMD Grant	Public safety	-	8,107	8,107
Principal Residence Audit	General government	-	1,494	1,494
Home Grant	Transfers out	37,307	50,307	13,000
Criminal Justice Training	Public safety	4,500	5,321	821
Communications Tower	Public safety	82,000	89,769	7,769

C. Deficit fund balance

The MMRMA Retention Internal Service Fund ended the year with a fund deficit of \$105,108.

Leelanau County, Michigan

Notes To The Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) for the primary government as December 31, 2007:

Statement of Net Assets	
Cash and cash equivalents	\$ 18,740,349
Investments	2,897,755
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>383,289</u>
Total	<u>\$ 22,021,393</u>
Deposits and Investments:	
Bank deposits	\$ 3,398,561
Investments	18,621,632
Cash on hand	<u>1,200</u>
Total	<u>\$ 22,021,393</u>

As of year end, the County had the following investments:

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Chase Governmental Operating Money Market	\$ 1,936,840	Aaa (Moody's)
Huntington Bank Business Premier MMA	719,934	Aaa (Moody's)
LaSalle Bank Public Funds Investment Trust	637,944	Aaa (Moody's)
Federated Governmental Obligations Money Market	<u>15,326,914</u>	Aaa (Moody's)
	<u>\$ 18,621,632</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Leelanau County, Michigan

Notes To The Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on the County's investments are presented above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$3,242,913 of the combined bank balance of \$3,846,581 (total book balance was \$3,398,561) was exposed to custodial credit risk because it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accounts receivable	\$ 165,997	\$ 1,877
Loans receivable	750,794	-
Taxes receivable	2,874,028	1,950,442
Special assessments receivable	32,588	-
Interest receivable	<u>7,610</u>	<u>239,816</u>
Total receivables	<u>\$ 3,831,017</u>	<u>\$ 2,192,135</u>
 Amount not expected to be collected within one year	 <u>\$ 750,795</u>	 <u>\$ 120,000</u>

Leelanau County, Michigan

Notes To The Financial Statements

Leases receivable from local units of government in the governmental activities are due entirely from Leland Township. The terms of the sales lease, which relate to sewer systems financed by the County on behalf of the Township, match the debt maturity requirements of the related bonds. At year end, the County reported leases receivable in governmental activities of \$425,000, of which \$225,000 is not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
Property taxes levied for the next fiscal year	\$ -	\$ 1,297,008
Long-term receivables not collectible within 60 days:		
Delinquent personal property taxes	35,912	-
Delinquent property taxes from summer levy	466,785	-
Special assessments	23,250	-
Loans	750,795	-
Leases – local units of government	425,000	-
Fees received in advance of being earned	<u>-</u>	<u>110,404</u>
	<u>\$ 1,701,742</u>	1,407,412
Internal Service Funds:		
Fees received in advance of being earned		<u>2,497</u>
		<u>\$ 1,409,909</u>

Leelanau County, Michigan

Notes To The Financial Statements

C. Capital assets

Capital asset activity was as follows for the year ended December 31, 2007:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 817,902	\$ 187,634	\$ -	\$ 1,005,536
Construction in progress	3,597,458	6,793,207	-	10,390,665
Total capital assets, not being depreciated	<u>4,415,360</u>	<u>6,980,841</u>	<u>-</u>	<u>11,396,201</u>
Capital assets, being depreciated:				
Infrastructure	3,816,297	-	-	3,816,297
Buildings and improvements	8,208,177	-	-	8,208,177
Land improvements	84,691	-	-	84,691
Radio towers	972,961	-	-	972,961
Equipment	1,263,925	114,171	-	1,378,096
Vehicles	994,881	83,152	(92,922)	985,111
Office equipment/furniture	550,884	-	-	550,884
Total capital assets, being depreciated	<u>15,891,816</u>	<u>197,323</u>	<u>(92,922)</u>	<u>15,996,217</u>
Less accumulated depreciation for:				
Infrastructure	(173,134)	(127,210)	-	(300,344)
Buildings and improvements	(1,119,848)	(262,935)	-	(1,382,783)
Land improvements	(4,447)	(2,823)	-	(7,270)
Radio towers	(175,502)	(24,721)	-	(200,223)
Equipment	(604,482)	(140,612)	-	(745,094)
Vehicles	(823,090)	(50,461)	92,922	(780,629)
Office equipment/furniture	(443,611)	(3,447)	-	(447,058)
Total accumulated depreciation	<u>(3,344,114)</u>	<u>(612,209)</u>	<u>92,922</u>	<u>(3,863,401)</u>
Total capital assets, being depreciated, net	<u>12,547,702</u>	<u>(414,886)</u>	<u>-</u>	<u>12,132,816</u>
Governmental activities capital assets, net	<u>\$ 16,963,062</u>	<u>\$ 6,565,955</u>	<u>\$ -</u>	<u>\$ 23,529,017</u>

Leelanau County, Michigan

Notes To The Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 623,655	\$ -	\$ -	\$ 623,655
Land improvements	6,557	-	-	6,557
Equipment	175,038	-	-	175,038
Total capital assets, being depreciated	<u>805,250</u>	<u>-</u>	<u>-</u>	<u>805,250</u>
Less accumulated depreciation for:				
Buildings and improvements	(445,633)	(12,258)	-	(457,891)
Land improvements	(430)	(219)	-	(649)
Equipment	<u>(170,582)</u>	<u>(1,096)</u>	<u>-</u>	<u>(171,678)</u>
Total accumulated depreciation	<u>(616,645)</u>	<u>(13,573)</u>	<u>-</u>	<u>(630,218)</u>
Business-type activities capital assets, net	<u>\$ 188,605</u>	<u>\$ (13,573)</u>	<u>\$ -</u>	<u>\$ 175,032</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

Judicial	\$ 1,243
General government	33,012
Public safety	357,271
Public works	127,441
Health and welfare	7,201
Recreation and cultural	5,519
Internal service funds	<u>80,522</u>

Total depreciation expense - governmental activities **\$ 612,209**

Business-type activities

Maple Valley property	<u>\$ 13,573</u>
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Leelanau County, Michigan

Notes To The Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Road Commission Component Unit				
Capital assets net being depreciated				
Land	\$ 37,276	\$ -	\$ -	\$ 37,276
Capital assets being depreciated:				
Buildings and improvements	1,605,505	-	-	1,605,505
Equipment	8,748,180	95,499	(141,334)	8,702,345
Infrastructure	23,399,037	3,169,149	-	26,568,186
Total capital assets being depreciated	<u>33,752,722</u>	<u>3,264,648</u>	<u>(141,334)</u>	<u>36,876,036</u>
Less accumulated depreciation for:				
Buildings and improvements	(622,424)	(39,398)	-	(661,822)
Equipment	(6,667,981)	(615,523)	141,334	(7,142,170)
Infrastructure	(4,369,438)	(904,580)	-	(5,274,018)
Total accumulated depreciation	<u>(11,659,843)</u>	<u>(1,559,501)</u>	<u>141,334</u>	<u>(13,078,010)</u>
Total capital assets being depreciated, net	<u>22,092,879</u>	<u>1,705,147</u>	<u>-</u>	<u>23,798,026</u>
Road Commission capital assets, net	<u>\$ 22,130,155</u>	<u>\$ 1,705,147</u>	<u>\$ -</u>	<u>\$ 23,835,302</u>

D. Payables

Accounts payable in both the governmental and business-type activities consist entirely of amounts due to vendors.

Accrued liabilities are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accrued payroll and withholdings	\$ 116,385	\$ 7,240
Accrued interest	80,439	-
	<u>\$ 196,824</u>	<u>\$ 7,240</u>

Leelanau County, Michigan

Notes To The Financial Statements

E. Interfund receivables, payables and transfers

At year end, amounts due from/due to other funds between nonmajor governmental funds of \$3,179 were established to cover cash deficits.

For the year ended December 31, 2007, interfund transfers consisted of the following:

Transfers from	Transfers to				Total
	General	Courthouse construction fund	Nonmajor governmental	Internal service	
General fund	\$ -	\$ 750,000	\$ 1,517,510	\$ 114,769	\$ 2,382,279
CDBG repayment fund	-	-	26,000	-	26,000
Revenue sharing reserve fund	371,563	-	-	-	371,563
Building fund	-	3,000,000	-	-	3,000,000
Nonmajor governmental funds	223,302	-	240,307	-	463,609
Unpledged delinquent tax revolving fund	7,633	4,000,000	-	-	4,007,633
	\$ 602,498	\$ 7,750,000	\$ 1,783,817	\$ 114,769	\$ 10,251,084

Interfund transfers are for: (1) transferring tax administration fees to the general fund, (2) using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) to transfer funds for reimbursement of administration earned in the CDBG Repayment and Home Funds to the CDBG Administration Fund, (4) to transfer property taxes as required by State of Michigan Public Act 357 of 2004, and (5) to transfer funds to the general fund from the budget stabilization fund as authorized by Board resolution.

Leelanau County, Michigan

Notes To The Financial Statements

F. Long-term debt

The following is a summary of bond and compensated absences transactions of the County for the year ended December 31, 2007:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 7,225,000	\$ 5,824,079	\$ 350,000	\$12,699,079	\$ 350,000
Compensated absences	<u>189,085</u>	<u>10,287</u>	<u>-</u>	<u>199,372</u>	<u>199,372</u>
	<u>\$ 7,414,085</u>	<u>\$ 5,834,366</u>	<u>\$ 350,000</u>	<u>\$12,898,451</u>	<u>\$ 549,372</u>
Business-type activities					
Compensated absences	<u>\$ 23,514</u>	<u>\$ 9,652</u>	<u>\$ -</u>	<u>\$ 33,166</u>	<u>\$ 33,166</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

During fiscal 2007, the cash draws against the 2007 Drinking Water Revolving Fund bond amounted to \$5,824,079, which were the project construction costs incurred during the year. The total amount authorized under this issue is \$13,290,000; accordingly, \$7,465,921 is still available as of December 31, 2007, and expected to be drawn.

General obligation debt consists of general obligation bonds of the Department of Public Works and a general obligation bond for the construction of the County Law Enforcement Center. Department of Public Works bonds are for township sewer disposal systems. The sewer bonds are direct obligations of the respective township or village and an indirect obligation of the County. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturing Year</u>	<u>Year End Balance</u>
Department of Public Works:			
Northport/Leelanau Township	1.625%	2028	\$ 5,824,079
Leland Township	4.4-9.4%	2010	425,000
Law Enforcement Center	3.0-4.75%	2027	<u>6,450,000</u>
			<u>\$ 12,699,079</u>

Leelanau County, Michigan

Notes To The Financial Statements

Annual debt service requirements for primary government general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 350,000	\$ 507,931	\$ 857,931
2009	940,000	489,310	1,429,310
2010	800,000	468,781	1,268,781
2011	785,000	451,559	1,236,559
2012	820,000	434,003	1,254,003
2013-2017	4,500,000	1,867,172	6,367,172
2018-2022	5,190,000	1,264,155	6,454,155
2023-2027	6,005,000	501,933	6,506,933
2028	<u>775,000</u>	<u>6,297</u>	<u>781,297</u>
Total	\$ 20,165,000	<u>\$ 5,991,141</u>	<u>\$26,156,141</u>
Less available draws	<u>7,465,921</u>		
	<u>\$12,699,079</u>		

G. Short-term notes payable

During the year, the County financed the purchase of land for development under the Home Investment Partnership program. This loan was issued for a term of less than one year and, accordingly, is recorded as a liability in the fund from which it was issued. At year end, short-term notes payable consisted of the following:

Nonmajor governmental funds:

Notes payable, interest at 6.5% due 12/31/08:

Beginning balance	\$ 124,930
Additions	354,284
Reductions	<u>(124,930)</u>
Ending balance	<u>\$ 354,284</u>

IV. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Leelanau County, Michigan

Notes To The Financial Statements

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. The County's member maximum retention on general liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property and crime coverage are subject to a \$1,000 deductible per occurrence with 10 percent of the first \$100,000 to be paid by the member. The Authority administers all claims and provides the County quarterly activity statements that are used to estimate the liability for unpaid claims.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2007, the Authority had met the minimum requirements.

The County reports the activity and its share of the Retention Fund in an internal service fund.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

B. Contingencies

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federal and state assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Leelanau County, Michigan

Notes To The Financial Statements

C. Property taxes

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2007, the County recognized the full July 1, 2007 levy.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2006 levy, for which revenue was recognized in fiscal 2007, was \$2.0 billion. The general operating tax rate for this levy was at the maximum rate of 3.6569 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.2463 mills for the Commission on Aging.

The assessed and taxable value of real and personal property for the July 1, 2007 levy, for which revenue was recognized in fiscal 2007, was \$2.2 billion. The general operating tax rate for this levy was at the maximum rate of 3.5958 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension plans

Defined Contribution Plan

The County offers a money purchase pension plan, the Leelanau County Money Purchase Pension Plan 401(a), in accordance with Internal Revenue Code Section 401(a), to all regular and grant full-time employees who have been employed for at least two years. The Plan is administered by Pebsco. Plan provisions and contribution requirements are established and may be amended by Leelanau County. The County matches 100% of employee contributions to their section 457 deferred compensation account, ranging from a minimum of \$300 to a maximum of \$1,000 depending on the employees' years of service. For the year ended December 31, 2007, the County contributed \$36,820 based on the employee contributions into their Section 457 accounts.

Leelanau County, Michigan

Notes To The Financial Statements

Defined Benefit Plan

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 11.74% to 14.25% of annual covered payroll. Employees that are members of the County's POAM bargaining unit are required to contribute .92% of their pay. Members of the County's COAM bargaining unit are required to contribute 1.00% of their pay. Effective March 1, 2007, County employees that are not members of these bargaining units are required to contribute 2.52% of their pay to the Plan. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended December 31, 2007, the County's annual pension cost of \$690,070 for MERS was equal to the County's required and actual contributions. The employee contribution was \$39,576. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 621,484	100 %	\$ -
12/31/06	676,530	100	-
12/31/07	690,070	100	-

Leelanau County, Michigan

Notes To The Financial Statements

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$8,118,443	\$ 12,260,264	\$4,141,821	66%	\$4,106,928	101%
12/31/05	8,998,133	12,917,831	3,919,698	70	4,333,152	90
12/31/06	10,141,500	14,304,159	4,162,659	71	4,509,580	92

E. Operating Leases – Lessor

The County has entered into operating lease agreements with Nextel, Alltel, Cingular, NPI, and Consumers Energy for space on County-owned communication towers. The parties have agreed to various lengths of rental agreements, which all contain a right to renewal. Payment on lease rentals is dependent on the location of the antenna on the tower. The following is a summary of the minimum lease rental revenue for the next three years:

2008	\$ 20,201
2009	<u>6,480</u>
Total	<u>\$ 26,681</u>

F. Commitments

The County is obligated for construction contracts relating to the construction of a new County governmental center for approximately \$1 million. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the financial statements.

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Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2007

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,550,760	\$ 51,313	\$ 102,750	\$ 3,704,823
Receivables:				
Accounts	69,667	-	-	69,667
Taxes	692,350	-	-	692,350
Due from other governments	91,333	-	-	91,333
Due from other funds	-	-	3,179	3,179
Prepaid items	50	-	-	50
Assets held for resale	384,947	-	-	384,947
Total assets	\$ 4,789,107	\$ 51,313	\$ 105,929	\$ 4,946,349
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 46,300	\$ -	\$ -	\$ 46,300
Accrued liabilities	24,021	-	-	24,021
Due to other funds	-	-	3,179	3,179
Deferred revenue	854,144	-	-	854,144
Notes payable	354,284	-	-	354,284
Total liabilities	1,278,749	-	3,179	1,281,928
Fund balances				
Reserved	384,997	-	-	384,997
Unreserved	3,125,361	51,313	102,750	3,279,424
Total fund balances	3,510,358	51,313	102,750	3,664,421
Total liabilities and fund balances	\$ 4,789,107	\$ 51,313	\$ 105,929	\$ 4,946,349

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended December 31, 2007

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 582,377	\$ -	\$ -	\$ 582,377
Intergovernmental:				
Federal grants	189,400	-	-	189,400
State grants	378,126	-	-	378,126
Local sources	123,900	-	-	123,900
Charges for services	876,472	-	-	876,472
Reimbursements	173,423	-	-	173,423
Interest	-	-	176	176
Other revenue	50,522	-	-	50,522
Total revenues	<u>2,374,220</u>	<u>-</u>	<u>176</u>	<u>2,374,396</u>
Expenditures				
Current expenditures:				
Judicial	56,009	-	-	56,009
General government	15,470	-	-	15,470
Public safety	990,967	-	-	990,967
Public works	222,415	-	-	222,415
Health and welfare	1,269,468	-	-	1,269,468
Debt service:				
Principal	-	150,000	-	150,000
Interest and fiscal charges	-	282,687	-	282,687
Total expenditures	<u>2,554,329</u>	<u>432,687</u>	<u>-</u>	<u>2,987,016</u>
Revenues over (under) expenditures	<u>(180,109)</u>	<u>(432,687)</u>	<u>176</u>	<u>(612,620)</u>
Other financing sources (uses)				
Proceeds from sales of assets	105,362	-	-	105,362
Transfers in	1,333,817	450,000	-	1,783,817
Transfers out	(463,609)	-	-	(463,609)
Total other financing sources	<u>975,570</u>	<u>450,000</u>	<u>-</u>	<u>1,425,570</u>
Net change in fund balances	<u>795,461</u>	<u>17,313</u>	<u>176</u>	<u>812,950</u>
Fund balances, beginning of year	<u>2,714,897</u>	<u>34,000</u>	<u>102,574</u>	<u>2,851,471</u>
Fund balances, end of year	<u>\$ 3,510,358</u>	<u>\$ 51,313</u>	<u>\$ 102,750</u>	<u>\$ 3,664,421</u>

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2007

	Inmate Housing	Inmate Commissary	Community Corrections	Friend of the Court	Case Flow Assistance
Assets					
Cash and cash equivalents	\$ 170,219	\$ 2,251	\$ 898	\$ 102,686	\$ 38,831
Accounts receivable	65,361	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	525	-	-	-	-
Prepaid items	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 236,105</u>	<u>\$ 2,251</u>	<u>\$ 898</u>	<u>\$ 102,686</u>	<u>\$ 38,831</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 859	\$ 120	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Total liabilities	<u>859</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	235,246	2,131	898	102,686	38,831
Total fund balances	<u>235,246</u>	<u>2,131</u>	<u>898</u>	<u>102,686</u>	<u>38,831</u>
Total liabilities and fund balances	<u>\$ 236,105</u>	<u>\$ 2,251</u>	<u>\$ 898</u>	<u>\$ 102,686</u>	<u>\$ 38,831</u>

<u>Recycling</u>	<u>911</u>	<u>Wireless 911</u>	<u>911 Training</u>	<u>EMD Grants</u>	<u>ROD Automation</u>
\$ 138,794	\$ 316,339	\$ 248,817	\$ 31,096	\$ 8,005	\$ 142,484
-	-	-	-	-	-
270,113	-	-	-	-	-
-	-	26,337	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 408,907</u>	<u>\$ 316,339</u>	<u>\$ 275,154</u>	<u>\$ 31,096</u>	<u>\$ 8,005</u>	<u>\$ 142,484</u>

\$ 13,695	\$ 1,120	\$ -	\$ 935	\$ -	\$ -
-	15,775	-	-	-	130
220,403	-	-	-	-	-
-	-	-	-	-	-
<u>234,098</u>	<u>16,895</u>	<u>-</u>	<u>935</u>	<u>-</u>	<u>130</u>

-	-	-	-	-	-
174,809	299,444	275,154	30,161	8,005	142,354
174,809	299,444	275,154	30,161	8,005	142,354
<u>\$ 408,907</u>	<u>\$ 316,339</u>	<u>\$ 275,154</u>	<u>\$ 31,096</u>	<u>\$ 8,005</u>	<u>\$ 142,484</u>

Continued...

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2007

	Budget Stabilization	Homestead Audit	Gaming Revenue	Corrections Training	Law Library
Assets					
Cash and cash equivalents	\$ 1,149,113	\$ 69,767	\$ 60,321	\$ 2,197	\$ 15,016
Accounts receivable	-	-	-	-	-
Taxes receivable	-	(39,818)	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 1,149,113</u>	<u>\$ 29,949</u>	<u>\$ 60,321</u>	<u>\$ 2,197</u>	<u>\$ 15,016</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 3,600	\$ -	\$ -	\$ 387
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>387</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	1,149,113	26,349	60,321	2,197	14,629
Total fund balances	<u>1,149,113</u>	<u>26,349</u>	<u>60,321</u>	<u>2,197</u>	<u>14,629</u>
Total liabilities and fund balances	<u>\$ 1,149,113</u>	<u>\$ 29,949</u>	<u>\$ 60,321</u>	<u>\$ 2,197</u>	<u>\$ 15,016</u>

CDBG Administration	HOME	Commission on Aging	Criminal Justice Training	Department of Human Services	Child Care
\$ 7,642	\$ 21,721	\$ 626,740	\$ 3,302	\$ -	\$ 89,146
-	-	-	-	-	-
-	-	462,055	-	-	-
-	14,224	-	-	-	41,607
-	-	50	-	-	-
-	384,947	-	-	-	-
<u>\$ 7,642</u>	<u>\$ 420,892</u>	<u>\$ 1,088,845</u>	<u>\$ 3,302</u>	<u>\$ -</u>	<u>\$ 130,753</u>
\$ -	\$ -	\$ 10,764	\$ -	\$ -	\$ 11,547
961	-	4,203	-	-	2,500
-	-	523,337	-	-	-
-	354,284	-	-	-	-
<u>961</u>	<u>354,284</u>	<u>538,304</u>	<u>-</u>	<u>-</u>	<u>14,047</u>
-	384,947	50	-	-	-
6,681	(318,339)	550,491	3,302	-	116,706
<u>6,681</u>	<u>66,608</u>	<u>550,541</u>	<u>3,302</u>	<u>-</u>	<u>116,706</u>
<u>\$ 7,642</u>	<u>\$ 420,892</u>	<u>\$ 1,088,845</u>	<u>\$ 3,302</u>	<u>\$ -</u>	<u>\$ 130,753</u>

Continued...

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2007

	Soldiers & Sailors	Veterans' Trust	Juvenile Justice	Farmland Preservation
Assets				
Cash and cash equivalents	\$ 13,838	\$ 451	\$ 17,005	\$ -
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other governmental units	-	-	8,640	-
Prepaid items	-	-	-	-
Assets held for resale	-	-	-	-
Total assets	<u>\$ 13,838</u>	<u>\$ 451</u>	<u>\$ 25,645</u>	<u>\$ -</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 46	\$ -
Accrued liabilities	-	-	452	-
Deferred revenue	-	-	-	-
Notes payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>498</u>	<u>-</u>
Fund balances				
Fund balance:				
Reserved	-	-	-	-
Unreserved - undesignated	13,838	451	25,147	-
Total fund balances	<u>13,838</u>	<u>451</u>	<u>25,147</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 13,838</u>	<u>\$ 451</u>	<u>\$ 25,645</u>	<u>\$ -</u>

Communication Towers	Map Fund	Solid Waste Planning	Total
\$ 262,861	\$ 9,482	\$ 1,738	\$ 3,550,760
4,306	-	-	69,667
-	-	-	692,350
-	-	-	91,333
-	-	-	50
-	-	-	384,947
<u>\$ 267,167</u>	<u>\$ 9,482</u>	<u>\$ 1,738</u>	<u>\$ 4,789,107</u>

\$ 3,227	\$ -	\$ -	\$ 46,300
-	-	-	24,021
110,404	-	-	854,144
-	-	-	354,284
<u>113,631</u>	<u>-</u>	<u>-</u>	<u>1,278,749</u>

-	-	-	384,997
<u>153,536</u>	<u>9,482</u>	<u>1,738</u>	<u>3,125,361</u>
<u>153,536</u>	<u>9,482</u>	<u>1,738</u>	<u>3,510,358</u>
<u>\$ 267,167</u>	<u>\$ 9,482</u>	<u>\$ 1,738</u>	<u>\$ 4,789,107</u>

Concluded

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2007

	<u>Inmate Housing</u>	<u>Inmate Commissary</u>	<u>Community Corrections</u>	<u>Friend of the Court</u>	<u>Case Flow Assistance</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	6,495
Local	-	-	-	-	-
Charges for services	245,996	3,910	1,500	4,260	-
Refunds and reimbursements	135,320	-	-	-	-
Other revenue	-	400	-	-	-
Total revenues	<u>381,316</u>	<u>4,310</u>	<u>1,500</u>	<u>4,260</u>	<u>6,495</u>
Expenditures					
Judicial	-	-	-	49,497	-
General government	-	-	-	-	-
Public safety	21,166	4,029	4,542	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Total expenditures	<u>21,166</u>	<u>4,029</u>	<u>4,542</u>	<u>49,497</u>	<u>-</u>
Revenues over (under) expenditures	<u>360,150</u>	<u>281</u>	<u>(3,042)</u>	<u>(45,237)</u>	<u>6,495</u>
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	-	60,000	-
Transfers out	(200,000)	-	-	-	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Net change in fund balances	<u>160,150</u>	<u>281</u>	<u>(3,042)</u>	<u>14,763</u>	<u>6,495</u>
Fund balances, beginning of year	<u>75,096</u>	<u>1,850</u>	<u>3,940</u>	<u>87,923</u>	<u>32,336</u>
Fund balances, end of year	<u>\$ 235,246</u>	<u>\$ 2,131</u>	<u>\$ 898</u>	<u>\$ 102,686</u>	<u>\$ 38,831</u>

<u>Recycling</u>	<u>911</u>	<u>Wireless 911</u>	<u>911 Training</u>	<u>EMD Grants</u>	<u>ROD Automation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	8,107	-
-	-	104,545	12,193	-	-
-	-	-	-	-	-
367,251	273	-	-	-	41,855
-	-	-	-	-	-
8,010	-	-	-	-	-
<u>375,261</u>	<u>273</u>	<u>104,545</u>	<u>12,193</u>	<u>8,107</u>	<u>41,855</u>
-	-	-	-	-	-
-	-	-	-	-	13,976
-	767,657	-	4,001	8,107	-
209,629	-	-	-	-	-
-	-	-	-	-	-
<u>209,629</u>	<u>767,657</u>	<u>-</u>	<u>4,001</u>	<u>8,107</u>	<u>13,976</u>
<u>165,632</u>	<u>(767,384)</u>	<u>104,545</u>	<u>8,192</u>	<u>-</u>	<u>27,879</u>
-	-	-	-	-	-
-	1,002,510	-	-	-	-
-	-	(90,000)	-	-	-
<u>-</u>	<u>1,002,510</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
165,632	235,126	14,545	8,192	-	27,879
<u>9,177</u>	<u>64,318</u>	<u>260,609</u>	<u>21,969</u>	<u>8,005</u>	<u>114,475</u>
<u>\$ 174,809</u>	<u>\$ 299,444</u>	<u>\$ 275,154</u>	<u>\$ 30,161</u>	<u>\$ 8,005</u>	<u>\$ 142,354</u>

Continued...

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2007

	Budget Stabilization	Homestead Audit	Gaming Revenue	Corrections Training	Law Library
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	-
Local	-	-	80,000	-	-
Charges for services	-	-	-	5,004	2,500
Refunds and reimbursements	-	-	-	-	-
Other revenue	-	19,816	-	-	-
Total revenues	-	19,816	80,000	5,004	2,500
Expenditures					
Judicial	-	-	-	-	6,512
General government	-	1,494	-	-	-
Public safety	-	-	81,026	5,349	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Total expenditures	-	1,494	81,026	5,349	6,512
Revenues over (under) expenditures	-	18,322	(1,026)	(345)	(4,012)
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	-	-	13,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	13,000
Net change in fund balances	-	18,322	(1,026)	(345)	8,988
Fund balances, beginning of year	1,149,113	8,027	61,347	2,542	5,641
Fund balances, end of year	<u>\$ 1,149,113</u>	<u>\$ 26,349</u>	<u>\$ 60,321</u>	<u>\$ 2,197</u>	<u>\$ 14,629</u>

CDBG Administration	HOME	Commission on Aging	Criminal Justice Training	Department of Human Services	Child Care
\$ -	\$ -	\$ 582,377	\$ -	\$ -	\$ -
-	171,904	-	-	2,538	6,851
-	-	9,348	4,593	-	220,327
-	-	43,900	-	-	-
-	-	-	-	-	-
-	-	-	-	-	38,078
3,000	-	19,287	-	-	-
3,000	171,904	654,912	4,593	2,538	265,256
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,321	-	-
-	-	-	-	-	-
71,364	158,904	488,688	-	14,538	475,727
71,364	158,904	488,688	5,321	14,538	475,727
(68,364)	13,000	166,224	(728)	(12,000)	(210,471)
-	103,915	1,447	-	-	-
76,307	-	-	-	12,000	150,000
(3,235)	(50,307)	-	-	-	-
73,072	53,608	1,447	-	12,000	150,000
4,708	66,608	167,671	(728)	-	(60,471)
1,973	-	382,870	4,030	-	177,177
\$ 6,681	\$ 66,608	\$ 550,541	\$ 3,302	\$ -	\$ 116,706

Continued...

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2007

	<u>Soldiers & Sailors</u>	<u>Veterans' Trust</u>	<u>Juvenile Justice</u>	<u>Farmland Preservation</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal	-	-	-	-
State	-	3,354	17,271	-
Local	-	-	-	-
Charges for services	-	-	-	-
Refunds and reimbursements	-	25	-	-
Other revenue	-	-	-	9
Total revenues	<u>-</u>	<u>3,379</u>	<u>17,271</u>	<u>9</u>
Expenditures				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	300	4,800	27,683	27,464
Total expenditures	<u>300</u>	<u>4,800</u>	<u>27,683</u>	<u>27,464</u>
Revenues over (under) expenditures	<u>(300)</u>	<u>(1,421)</u>	<u>(10,412)</u>	<u>(27,455)</u>
Other financing sources (uses)				
Proceeds from sales of assets	-	-	-	-
Transfers in	-	-	20,000	-
Transfers out	-	(67)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(67)</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	<u>(300)</u>	<u>(1,488)</u>	<u>9,588</u>	<u>(27,455)</u>
Fund balances, beginning of year	<u>14,138</u>	<u>1,939</u>	<u>15,559</u>	<u>27,455</u>
Fund balances, end of year	<u>\$ 13,838</u>	<u>\$ 451</u>	<u>\$ 25,147</u>	<u>\$ -</u>

Communication Towers	Map Fund	Solid Waste Planning	Total
\$ -	\$ -	\$ -	\$ 582,377
-	-	-	189,400
-	-	-	378,126
-	-	-	123,900
195,402	8,521	-	876,472
-	-	-	173,423
-	-	-	50,522
<u>195,402</u>	<u>8,521</u>	<u>-</u>	<u>2,374,220</u>
-	-	-	56,009
-	-	-	15,470
89,769	-	-	990,967
-	8,874	3,912	222,415
-	-	-	1,269,468
<u>89,769</u>	<u>8,874</u>	<u>3,912</u>	<u>2,554,329</u>
<u>105,633</u>	<u>(353)</u>	<u>(3,912)</u>	<u>(180,109)</u>
-	-	-	105,362
-	-	-	1,333,817
<u>(100,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(463,609)</u>
<u>(100,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>975,570</u>
5,633	(20,353)	(3,912)	795,461
<u>147,903</u>	<u>29,835</u>	<u>5,650</u>	<u>2,714,897</u>
<u>\$ 153,536</u>	<u>\$ 9,482</u>	<u>\$ 1,738</u>	<u>\$ 3,510,358</u>

Concluded

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Capital Project Funds

December 31, 2007

	<u>Communications</u>	<u>Drain Revolving</u>	<u>Brewery Creek Drain</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 96,250	\$ 6,139	\$ 361	\$ 102,750
Due from other funds	-	-	3,179	3,179
Total assets	<u>\$ 96,250</u>	<u>\$ 6,139</u>	<u>\$ 3,540</u>	<u>\$ 105,929</u>
Liabilities and fund balances				
Liabilities				
Due to other funds	\$ -	\$ 3,179	\$ -	\$ 3,179
Fund balances				
Fund balances - unreserved, undesignated	<u>96,250</u>	<u>2,960</u>	<u>3,540</u>	<u>102,750</u>
Total liabilities and fund balances	<u>\$ 96,250</u>	<u>\$ 6,139</u>	<u>\$ 3,540</u>	<u>\$ 105,929</u>

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures And Changes in Fund Balance Nonmajor Capital Project Funds

For the Year Ended December 31, 2007

	<u>Communications</u>	<u>Drain Revolving</u>	<u>Brewery Creek Drain</u>	<u>Total</u>
Revenues				
Interest	\$ -	\$ 166	\$ 10	\$ 176
Fund balances - beginning of year	<u>96,250</u>	<u>2,794</u>	<u>3,530</u>	<u>102,574</u>
Fund balances - end of year	<u><u>\$ 96,250</u></u>	<u><u>\$ 2,960</u></u>	<u><u>\$ 3,540</u></u>	<u><u>\$ 102,750</u></u>

Leelanau County, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds

December 31, 2007

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 211,718	\$ 376,550	\$ 89,069	\$ 677,337
Accounts receivable	1,877	-	-	1,877
Taxes receivable - delinquent	-	32	-	32
Total current assets	213,595	376,582	89,069	679,246
Noncurrent assets				
Capital assets, net	-	175,032	-	175,032
Total assets	213,595	551,614	89,069	854,278
Liabilities				
Current liabilities				
Accounts payable	1,221	-	10,970	12,191
Accrued liabilities	7,240	-	-	7,240
Unearned revenue	-	32	-	32
Total current liabilities	8,461	32	10,970	19,463
Noncurrent liabilities				
Compensated absences	33,166	-	-	33,166
Total liabilities	41,627	32	10,970	52,629
Net assets				
Invested in capital assets	-	175,032	-	175,032
Unreserved	171,968	376,550	78,099	626,617
Total net assets	\$ 171,968	\$ 551,582	\$ 78,099	\$ 801,649

Leelanau County, Michigan

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds

For the Year Ended December 31, 2007

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Operating revenue				
Charges for services	\$ 647,097	\$ -	\$ 45,555	\$ 692,652
Other revenues	-	38,989	-	38,989
Total operating revenue	647,097	38,989	45,555	731,641
Operating expenses				
Salary and wages	490,792	-	-	490,792
Depreciation	-	13,573	-	13,573
Other expenses	146,535	1	46,198	192,734
Total operating expenses	637,327	13,574	46,198	697,099
Change in net assets	9,770	25,415	(643)	34,542
Net assets, beginning of year	162,198	526,167	78,742	767,107
Net assets, end of year	\$ 171,968	\$ 551,582	\$ 78,099	\$ 801,649

Leelanau County, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended December 31, 2007

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Cash flows from operating activities				
Cash receipts from customers	\$ 645,220	\$ 38,989	\$ 45,555	\$ 729,764
Cash payments to suppliers for goods and services	(151,148)	(1)	(36,041)	(187,190)
Cash payments to employees for services	(480,798)	-	-	(480,798)
Net cash provided by operating activities	13,274	38,988	9,514	61,776
Cash and cash equivalents, beginning of year	198,444	337,562	79,555	615,561
Cash and cash equivalents, end of year	<u>\$ 211,718</u>	<u>\$ 376,550</u>	<u>\$ 89,069</u>	<u>\$ 677,337</u>
Cash flows from operating activities				
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 9,770	\$ 25,415	\$ (643)	\$ 34,542
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	-	13,573	-	13,573
Changes in assets and liabilities				
Accounts receivable	(1,877)	-	-	(1,877)
Prepaid items	823	-	-	823
Accounts payable	(5,436)	-	10,157	4,721
Accrued liabilities	9,994	-	-	9,994
Net cash provided by operating activities	<u>\$ 13,274</u>	<u>\$ 38,988</u>	<u>\$ 9,514</u>	<u>\$ 61,776</u>

Leelanau County, Michigan

Combining Statement of Net Assets Internal Service Funds

December 31, 2007

	Building and Grounds	Data Processing	Copy Machine	Mailing Department
Assets				
Current assets				
Cash and cash equivalents	\$ 267,175	\$ 484,857	\$ 190,143	\$ 24,871
Prepaid items	3,908	30,516	-	-
Total current assets	271,083	515,373	190,143	24,871
Noncurrent assets				
Capital assets, net	15,664	56,828	33,458	-
Total assets	286,747	572,201	223,601	24,871
Liabilities				
Current liabilities				
Accounts payable	35,260	33,110	194	-
Accrued liabilities	3,645	1,355	-	-
Unearned revenue	-	2,497	-	-
Total liabilities	38,905	36,962	194	-
Net assets				
Invested in capital assets	15,664	56,828	33,458	-
Unrestricted (deficit)	232,178	478,411	189,949	24,871
Total net assets	\$ 247,842	\$ 535,239	\$ 223,407	\$ 24,871

MMRMA Retention	Motor Pool	Totals
\$ -	\$ 215,807	\$ 1,182,853
-	-	34,424
-	215,807	1,217,277
-	204,411	310,361
-	420,218	1,527,638
105,108	-	173,672
-	-	5,000
-	-	2,497
105,108	-	181,169
-	204,411	310,361
(105,108)	215,807	1,036,108
<u>\$ (105,108)</u>	<u>\$ 420,218</u>	<u>\$ 1,346,469</u>

Leelanau County, Michigan

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds**

For the Year Ended December 31, 2007

	<u>Building and Grounds</u>	<u>Data Processing</u>	<u>Copy Machine</u>
Operating revenue			
Charges for services	\$ 511,645	\$ 243,999	\$ 39,378
Operating expenses			
Salaries and fringes	163,255	77,414	-
Supplies	45,555	2,213	8,589
Gas and oil	6,198	-	-
Heat, power and lights	219,369	-	-
Repairs and maintenance	54,388	1,682	-
Equipment rent	5,921	-	-
Contractual services	38,760	107,432	16,389
Depreciation	10,785	11,889	7,387
Other expenses	2,472	-	-
Total operating expenses	546,703	200,630	32,365
Operating income (loss)	(35,058)	43,369	7,013
Nonoperating revenue (expense)			
Gain on disposal of capital assets	-	25	-
Interest on investments	-	-	-
Total nonoperating revenue (expense)	-	25	-
Operating income (loss) before transfers	(35,058)	43,394	7,013
Other financing sources and uses			
Transfers in	-	100,000	-
Changes in net assets	(35,058)	143,394	7,013
Net assets, beginning of year	282,900	391,845	216,394
Net assets (deficit), end of year	<u>\$ 247,842</u>	<u>\$ 535,239</u>	<u>\$ 223,407</u>

Mailing Department	MMRMA Retention	Motor Pool	Totals
<u>\$ 42,556</u>	<u>\$ 122,468</u>	<u>\$ 110,109</u>	<u>\$ 1,070,155</u>
-	-	-	240,669
39,000	-	-	95,357
-	-	-	6,198
-	-	-	219,369
-	-	-	56,070
-	-	-	5,921
9,552	-	-	172,133
-	-	50,461	80,522
-	270,835	45	273,352
<u>48,552</u>	<u>270,835</u>	<u>50,506</u>	<u>1,149,591</u>
<u>(5,996)</u>	<u>(148,367)</u>	<u>59,603</u>	<u>(79,436)</u>
-	-	15,629	15,654
-	3,308	-	3,308
<u>-</u>	<u>3,308</u>	<u>15,629</u>	<u>18,962</u>
(5,996)	(145,059)	75,232	(60,474)
<u>14,769</u>	<u>-</u>	<u>-</u>	<u>114,769</u>
8,773	(145,059)	75,232	54,295
<u>16,098</u>	<u>39,951</u>	<u>344,986</u>	<u>1,292,174</u>
<u>\$ 24,871</u>	<u>\$ (105,108)</u>	<u>\$ 420,218</u>	<u>\$ 1,346,469</u>

Leelanau County, Michigan

Internal Service Funds Combining Statement of Cash Flows

For the Year Ended December 31, 2007

	Building and Grounds	Data Processing
Cash flows from operating activities		
Cash received from interfund services	\$ 511,645	\$ 252,499
Cash received from customers	-	410
Cash payments to suppliers for goods and services	(364,746)	(97,393)
Cash payments to employees for services	(161,844)	(77,104)
Net cash provided by (used in) operating activities	(14,945)	78,412
Cash flows from non-capital financing activities		
Transfers in	-	100,000
Cash flows from capital and related financing activities		
Purchases of capital assets	-	(41,835)
Proceeds from sale of capital assets	-	26
Net cash used in capital and related financing activities	-	(41,809)
Cash flows from investing activities		
Interest received	-	-
Net increase (decrease) in cash and cash equivalents	(14,945)	136,603
Cash and cash equivalents, beginning of year	282,120	348,254
Cash and cash equivalents, end of year	\$ 267,175	\$ 484,857
Cash flows from operating activities		
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (35,058)	\$ 43,369
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	10,785	11,889
Changes in assets and liabilities		
Prepaid items	(2,701)	(4,715)
Due from other governments	-	8,500
Accounts payable	10,618	18,649
Accrued liabilities	1,411	310
Unearned revenue	-	410
Net cash provided by (used in) operating activities	\$ (14,945)	\$ 78,412

Copy Machine	Mailing Department	MMRMA Retention	Motor Pool	Totals
\$ 39,378	\$ 42,556	\$ 122,468	\$ 110,109	\$ 1,078,655
-	-	-	-	410
(24,949)	(48,552)	(125,776)	(45)	(661,461)
-	-	-	-	(238,948)
14,429	(5,996)	(3,308)	110,064	178,656
-	14,769	-	-	114,769
(26,218)	-	-	(83,151)	(151,204)
-	-	-	15,629	15,655
(26,218)	-	-	(67,522)	(135,549)
-	-	3,308	-	3,308
(11,789)	8,773	-	42,542	161,184
201,932	16,098	-	173,265	1,021,669
<u>\$ 190,143</u>	<u>\$ 24,871</u>	<u>\$ -</u>	<u>\$ 215,807</u>	<u>\$ 1,182,853</u>
\$ 7,013	\$ (5,996)	\$ (148,367)	\$ 59,603	\$ (79,436)
7,387	-	-	50,461	80,522
-	-	72,429	-	65,013
-	-	-	-	8,500
29	-	72,630	-	101,926
-	-	-	-	1,721
-	-	-	-	410
<u>\$ 14,429</u>	<u>\$ (5,996)</u>	<u>\$ (3,308)</u>	<u>\$ 110,064</u>	<u>\$ 178,656</u>

Leelanau County, Michigan

Agency Funds Combining Balance Sheet

December 31, 2007

	Trust & Agency	District Court	Library Penal Fine	Circuit Court Trust
Assets				
Cash and cash equivalents	<u>\$ 193,760</u>	<u>\$ 49,959</u>	<u>\$ 30,055</u>	<u>\$ 32,896</u>
Liabilities				
Due to other governments	\$ 95,253	\$ -	\$ -	\$ -
Undistributed collections	76,876	-	30,055	-
Other current liabilities	<u>21,631</u>	<u>49,959</u>	<u>-</u>	<u>32,896</u>
Total liabilities	<u>\$ 193,760</u>	<u>\$ 49,959</u>	<u>\$ 30,055</u>	<u>\$ 32,896</u>

Inmate Trust Account	Imprest Payroll Fund	AFLAC Fund Account	Totals
<u>\$ 4,689</u>	<u>\$ 33,699</u>	<u>\$ 38,231</u>	<u>\$ 383,289</u>
\$ -	\$ -	\$ -	\$ 95,253
-	-	-	106,931
<u>4,689</u>	<u>33,699</u>	<u>38,231</u>	<u>181,105</u>
<u>\$ 4,689</u>	<u>\$ 33,699</u>	<u>\$ 38,231</u>	<u>\$ 383,289</u>

**LEELANAU COUNTY,
MICHIGAN**

SINGLE AUDIT

For the Year Ended December 31, 2007



REHMANN ROBSON

Certified Public Accountants

LEELANAU COUNTY, MICHIGAN SINGLE AUDIT

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LEELANAU COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

FEDERAL GRANTOR

Pass-through Grantor Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed-through Michigan State Housing Development Authority HOME - M2005-0759-HOA	14.239	\$ 171,904
U.S. DEPARTMENT OF JUSTICE		
Passed-through Women's Resource Center Violence Against Women Formula Grants	16.588	20,855
Passed-through Missaukee County Byrne Formula-TNT 04/05 - 70772-5K002	16.579	41,295
Passed-through Michigan Department of Community Health Byrne Formula - Drug Testing	16.579	6,851
Total U.S. Department of Justice		69,001
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Passed-through Michigan Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	1,204,766
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-through Michigan Department of Human Services Title IV-D - Child Support Enforcement	93.563	38,345
Title IV-E - Prosecutor	93.568	3,016
Total U.S. Department of Health and Human Services		41,361
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed-through Michigan State Police Emergency Management Division Emergency Management Performance Grant	97.042	29,398
2005 Homeland Security Grant Program	97.067	8,107
Total U.S. Department of Homeland Security		37,505
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,524,537

The accompanying notes are an integral part of this schedule

LEELANAU COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Leelanau County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* * * * *



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

June 27, 2008

To the Board of Commissioners
of Leelanau County
Suttons Bay, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **LEELANAU COUNTY, MICHIGAN**, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leelanau County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in items 2007-1 and 2007-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 2007-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Leelanau County, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Leelanau County in a separate letter dated June 27, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 27, 2008

To the Board of Commissioners
of Leelanau County
Suttons Bay, Michigan

Compliance

We have audited the compliance of ***Leelanau County, Michigan*** (the “County”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The County’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County’s compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 27, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the governing body, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiencies identified
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified
not considered to be material weaknesses? yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? yes X no

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONCLUDED)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Preparation of Financial Statements in Accordance with GAAP

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
Condition:	As is the case with many smaller and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
Cause:	This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2007

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Management's response: The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-2 Material Audit Adjustments

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we identified and proposed adjustments (which were approved and posted by management) that were material, either individually or in the aggregate, to the County's financial statements. These adjustments affected a variety of balance sheet accounts and opinion units.

Cause: Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect: As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements resulting in the need for a significant number of audit adjustments.

Management's response: The County has made progress in reducing the number of audit adjustments required in recent years and will continue to carefully review all year-end account balances to further reduce the need for such adjustments

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

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